



State of California
Employment Training Panel

Arnold Schwarzenegger, Governor

March 25, 2009

Jasmine Harris
Deputy Director
Goodwill Industries of San Joaquin Valley, Inc.
129 South Grant St.
Stockton, CA. 95202

Dear Ms. Harris:

Enclosed is our final audit report relative to the Employment Training Panel Agreement No. ET04-0437 for the period November 3, 2003, through November 2, 2005.

We did not receive a response to the draft audit report; therefore, our findings and recommendations remain unchanged.

Also enclosed is a demand letter for payment of costs disallowed in the audit report. Payment is due upon receipt of this letter. If you wish to appeal the audit findings, you must follow the procedure specified in Attachment A to the audit report.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions, please contact Stephen Runkle, Audit Manager, at (916) 327-4758.

Sincerely,

Original signed by:

Stephen Runkle
Audit Manager

Enclosures

cc: Linda Huntley, Director of Workforce Development

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GOODWILL INDUSTRIES OF SAN JOAQUIN VALLEY, INC.

Agreement No. ET04-0437

Final Audit Report

For The Period

November 3, 2003 through November 2, 2005

Report Published March 25, 2009

Stephen Runkle, Audit Manager
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ET04-0437.fnl

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AUDITOR'S REPORT

Summary

We performed an audit of Goodwill Industries of San Joaquin Valley, Inc.'s compliance with Agreement No. ET04-0437, for the period November 3, 2003 through November 2, 2005. Our audit pertained to training costs claimed by the Contractor under this Agreement. Our audit was performed during the period September 24, 2007, through September 26, 2007, except for Finding No. 2, for which our report is dated October 19, 2007.

The Employment Training Panel (ETP) reimbursed the Contractor a total of \$166,029. Our audit supported \$148,665 is allowable. The balance of \$17,364 is disallowed and must be returned to ETP. The disallowed costs resulted from 3 trainees who had unsupported class/lab training hours, and 1 trainee who did not meet post-training retention requirements.

AUDITOR'S REPORT (continued)

Background

Goodwill Industries of San Joaquin Valley, Inc. (Goodwill of San Joaquin) is a non-profit agency that assists Californians with employment barriers by providing job training and placement services. Goodwill of San Joaquin's corporate offices are located in Stockton, and the organization's efforts are focused on the high unemployment areas of the surrounding San Joaquin Valley region.

This Agreement was the second one between Goodwill of San Joaquin and ETP. The goal of this training project was to increase the skilled labor force in the San Joaquin Valley region by targeting high unemployment areas and facilitating the movement of the region's working poor into higher paying, more secure jobs. In order to achieve those objectives, this training project provided for training in Business Skills, which was divided into two subcategories of Office Technology and Retail Services.

This Agreement allowed Goodwill of San Joaquin to receive a maximum reimbursement of \$173,625 for training 45 new-hire trainees. During the Agreement term, the Contractor trained and placed 43 trainees and was reimbursed \$166,029 by ETP.

Objectives, Scope, and Methodology

We performed our audit in accordance with *Government Auditing Standards*, promulgated by the United States General Accounting Office. We did not audit the financial statements of Goodwill Industries of San Joaquin Valley, Inc. Our audit scope was limited to planning and performing audit procedures to obtain reasonable assurance that Goodwill Industries of San Joaquin Valley, Inc. complied with the terms of the Agreement and the applicable provisions of the California Unemployment Insurance Code.

Accordingly, we reviewed, tested, and analyzed the Contractor's documentation supporting training cost reimbursements. Our audit scope included, but was not limited to, conducting compliance tests to determine whether:

- Trainees were eligible to receive ETP training.
- Trainees received the minimum training hours specified in the Agreement.
- Trainees were employed continuously full-time with the Contractor or a single participating employer for 90 consecutive days after completing training, and the 90-day retention period was completed within the Agreement term.
- Trainees were employed in the occupation for which they were trained and earned the minimum wage required at the end of

AUDITOR'S REPORT (continued)

the 90-day retention period.

- The Contractor's cash receipts agree with ETP cash disbursement records.

As part of our audit, we reviewed and obtained an understanding of the Contractor's management controls as required by *Government Auditing Standards*. The purpose of our review was to determine the nature, timing, and extent of our audit tests of training costs claimed. Our review was limited to the Contractor's procedures for documenting training hours provided and ensuring compliance with all Agreement terms, because it would have been inefficient to evaluate the effectiveness of management controls as a whole.

Conclusion	As summarized in Schedule 1, the Summary of Audit Results, and discussed more fully in the Findings and Recommendations Section of our report, our audit supported \$148,665 of the \$166,029 paid to the Contractor under this Agreement is allowable. The balance of \$17,364 is disallowed and must be returned to ETP.
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Views of Responsible Officials	The audit findings were discussed with Jasmine Harris, Deputy Director, and Bill Sullivan, Program Manager, at an exit conference held on December 12, 2007. A draft audit report was issued to the Contractor on February 24, 2009. The Contractor did not respond in writing to the draft audit report.
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The issuance of your final audit report has been delayed by the audit unit. Therefore, ETP waived the accrual of interest for the disallowed costs beginning October 20, 2007, through the issue date of this final audit report. The interest waiver (adjustment) was \$2,137.57, which was deducted from the total accrued interest.

Audit Appeal Rights	If you wish to appeal the audit findings, it must be filed in writing with the Panel's Executive Director within 30 days of receipt of this audit report. The proper appeal procedure is specified in Title 22, California Code of Regulations, Section 4450 (attached).
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AUDITOR'S REPORT (continued)

Records

Please note the ETP Agreement, Paragraph 5, requires you to assure ETP or its representative has the right, "...to examine, reproduce, monitor and audit accounting source payroll documents, and all other records, books, papers, documents or other evidence directly related to the performance of this Agreement by the Contractor... This right will terminate no sooner than four (4) years from the date of termination of the Agreement or three (3) years from the date of the last payment from ETP to the Contractor, or the date of resolution of appeals, audits, or litigation, whichever is later."

Stephen Runkle
Audit Manager

Fieldwork Completion Date: September 26, 2007, except for Finding No. 2, for which our report is dated October 19, 2007

This report is a matter of public record and its distribution is not limited. The report is intended for use in conjunction with the administration of ETP Agreement No. ET04-0437 and should not be used for any other purpose.

SCHEDULE 1 – Summary of Audit Results

GOODWILL INDUSTRIES OF SAN JOAQUIN VALLEY, INC.

AGREEMENT NO. ET04-0437

FOR THE PERIOD

NOVEMBER 3, 2003 THROUGH NOVEMBER 2, 2005

	<u>Amount</u>	<u>Reference*</u>
Training Costs Paid By ETP	<u>\$ 166,029</u>	
Disallowed Costs:		
Unsupported Class/Lab Training Hours	13,023	Finding No. 1
Post-Training Retention Requirements Not Met	4,341	Finding No. 2
Total Costs Disallowed	<u>\$ 17,364</u>	
Training Costs Allowed	<u>\$ 148,665</u>	

* See Findings and Recommendations Section.

FINDINGS AND RECOMMENDATIONS

FINDING NO. 1 – Goodwill Industries of San Joaquin Valley, Inc.'s (Goodwill of San Joaquin's) training documentation did not support the number of Unsupported Class/Lab Training Hours required by the Agreement for three trainees. Therefore, we disallowed \$13,023 (3 Job No. 1 trainees x \$4,341) in training costs claimed for these trainees.

Title 22 California Code of Regulations, Section 4442(b) requires Contractor to maintain and make available records that clearly document all aspects of training. All classroom/ laboratory training records must include hours of attendance and dates of training...

Paragraph 2 (b) of the Agreement between Goodwill of San Joaquin and ETP states: "Each trainee should complete 100% of the required class/lab and videoconference training hours. The Panel will not reimburse the Contractor for a trainee who does not complete a minimum 80% of the required class/lab and videoconference training."

Paragraph 5 a.1. of the Agreement states in part that "Records must be retained within the control of the primary Contractor and be available for review at the Contractor's place of business within the State of California..."

No training records were found for Trainee Nos. 1 and 4 during the audit. Goodwill of San Joaquin's training records did not support that Trainee No. 3 completed at least 80 percent of the training hours required by the Agreement due to inaccurate reporting of actual hours recorded on class/lab rosters for December 13, 14, 16, 17, 20, 21, 22, and 27, 2004. Training hours for these dates were over-reported to ETP in amounts ranging from 1.5 to 4 hours per day for a total of 14 hours.

The table below shows required class/lab training hours, class/lab hours reported to ETP, audited class/lab hours, and the percentage of class/lab hours supported by training rosters for each trainee.

Trainee No.	Job No.	Required Class/Lab Training Hours	Class/Lab Hours Reported to ETP	Audited Class/Lab Hours	Percentage of Training Hours Supported by Rosters
1	1	272	384.0	0.0	0%
3	1	272	220.8	206.8	76%
4	1	272	304.0	0.0	0%

Recommendation Goodwill of San Joaquin must return \$13,023 to ETP. In the future, the Contractor should ensure that training records support hours submitted for reimbursement from ETP.

FINDINGS AND RECOMMENDATIONS (continued)

FINDING NO. 2 – Employment information shows that one trainee did not meet post-training retention requirements. Therefore, we disallowed \$4,341 in training costs claimed for this trainee.

Post-Training Retention Requirements Not Met

Exhibit A, paragraph VII. A. of the Agreement between Goodwill of San Joaquin and ETP states, "Each trainee must be employed full-time, at least 35 hours per week, with the Contractor or a single participating employer for a period of at least ninety (90) consecutive days immediately following the completion of training."

Employer payroll information obtained via Employment Verification Questionnaire indicates that Trainee No. 2 did not meet post-training requirements. Trainee No. 2 failed to work at least an average of 35 hours per week. The table below shows the retention period and average hours worked per week for this trainee.

Trainee No.	Job No.	Post-Training Retention Period	Average Hours Per Week
2	1	10/01/04 - 12/30/04	19

Based on the employer reported hourly wage rate, EDD base wage information does not support this trainee was employed full-time during the identified retention period or any subsequent 90-day period up to the Agreement end date.

Recommendation Goodwill of San Joaquin must return \$4,341 to ETP. In the future, the Contractor should ensure that trainees meet all applicable post-training retention requirements before claiming reimbursement from ETP.

ATTACHMENT A - Appeal Process

4450. Appeal Process.

- (a) An interested person may appeal any final adverse decision made on behalf of the Panel where said decision is communicated in writing. Appeals must be submitted in writing to the Executive Director at the Employment Training Panel in Sacramento.
- (b) There are two levels of appeal before the Panel. The first level must be exhausted before proceeding to the second.
 - (1) The first level of appeal is to the Executive Director, and must be submitted within 30 days of receipt of the final adverse decision. This appeal will not be accepted by the Executive Director unless it includes a statement setting forth the issues and facts in dispute. Any documents or other writings that support the appeal should be forwarded with this statement. The Executive Director will issue a written determination within 60 days of receiving said appeal.
 - (2) The second level of appeal is to the Panel, and must be submitted within 10 days of receipt of the Executive Director's determination. This appeal should include a statement setting forth the appellant's argument as to why that determination should be reversed by the Panel, and forwarding any supporting documents or other writings that were not provided at the first level of appeal to the Executive Director. If the Panel accepts the appeal and chooses to conduct a hearing, it may accept sworn witness testimony on the record.
 - (A) The Panel must take one of the following actions within 45 days of receipt of a second-level appeal:
 - (1) Refuse to hear the matter, giving the appellant written reasons for the denial; or
 - (2) Conduct a hearing on a regularly-scheduled meeting date; or
 - (3) Delegate the authority to conduct a hearing to a subcommittee of one or more Panel members, or to an Administrative Law Judge with the Office of Administrative Hearings.
 - (B) The Panel or its designee may take action to adopt any of the administrative adjudication provisions of the Administrative Procedures Act at Government Code Section 11370 *et seq.*, for the purpose of formulating and issuing its decision. Said action may take place at the hearing, or in preliminary proceedings.
 - (C) Upon completion of the hearing, the record will be closed and the Panel will issue a final ruling. The ruling may be based on a recommendation from the hearing designee. The ruling shall be issued in a writing served simultaneously on the appellant and ETP, within 60 days of the record closure.
- (c) The time limits specified above may be adjusted or extended by the Executive Director or the Panel Chairman for good cause, pertinent to the level of appeal.
- (d) Following receipt of the Panel's ruling, the appellant may petition for judicial review in Superior Court pursuant to Code of Civil Procedure Section 1094.5. This petition must be filed within 60 days from receipt of the Panel's ruling.

Authority: Section 10205(m), Unemployment Insurance Code; Section 11410.40, Government Code.

Reference: Sections 10205(k), 10207, Unemployment Insurance Code.

Effective: April 15, 1995

Amended: December 30, 2006